

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTHWEST ALLEN COUNTY SCHOOLS

ALLEN COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
07/18/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2015-001 - Preparation of the Schedule of Expenditures of Federal Awards	4-5
Finding 2015-002 - Cash Management.....	5-7
Finding 2015-003 - Internal Control over Special Tests and Provisions - Comparability.....	7-8
Finding 2015-004 - Allowable Costs/Costs Principles.....	8-10
Finding 2015-005 - Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals	10-11
Corrective Action Plan.....	12-16
Exit Conference.....	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julianne Striggle	07-01-13 to 06-30-17
Superintendent of Schools	Christopher A. Himsel	07-01-13 to 06-30-17
President of the School Board	Mary Wysong Ronald Felger Kent Somers	01-01-13 to 12-13-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTHWEST ALLEN COUNTY SCHOOLS, ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of the Northwest Allen County Schools (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

May 4, 2017

NORTHWEST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS

**FINDING 2015-001 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Context

During the audit of the SEFA, Child Nutrition Cluster expenditures were overstated by \$1,770,801 for FY 2014 and \$1,825,159 for FY 2015. In addition, there were expenditures during FY 2015 of \$13,796 for the Special Education - Preschool Grants not reported on the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

NORTHWEST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected. The SEFA contained the errors identified in the *Context*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-002 - CASH MANAGEMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

NORTHWEST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with the Cash Management compliance requirement. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were limited to the average expenditures for 3 months. A cash management plan to address the excess cash was not approved and submitted timely to the Indiana Department of Education.

The FY 2014 school year average cash balance was \$1,308,237; the three months average expenditures was \$793,074. The FY 2015 school year average cash balance was \$1,416,295; the three months average expenditures was \$865,133.

Context

The monthly ending balance in the School Lunch fund (Net Cash Resources) exceeded the three months average expenditures during 24 of the 24 months of the audit period.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR section 210.14(b) states:

"*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with section 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . , with respect to participating schools under its jurisdiction . . .

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency"

Cause

Management had not developed a system of internal controls that segregated key functions, or developed and implemented a plan to reduce the cash balances of the School Lunch fund to an amount that did not exceed the three months average expenditures.

NORTHWEST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above, and that the School Corporation's management comply with the Cash Management requirements of the programs.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-003 - INTERNAL CONTROL OVER SPECIAL TESTS AND PROVISIONS - COMPARABILITY

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-225, 14-225, 15-225

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, such as an oversight, review, or approval process, related to the Special Tests and Provisions - Comparability compliance requirement.

Context

The Title I Program Administrator was solely responsible for completing and submitting the required Comparability Report. There was no evidence to suggest proper segregation of duties such as an oversight or approval process was in place to ensure that Comparability Reports were accurate.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

NORTHWEST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-225, 14-225, 15-225

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to its grant agreements and the Allowable Costs/Cost Principles compliance requirement.

For FY 2014 and FY 2015, there was no control in place to review payroll to verify that all employees paid from Title I Grants to Local Educational Agencies were allowed. Also, there was no employee responsible for reviewing personnel activity reports or Semi-Annual Certifications. As a result, the School Corporation failed to complete personnel activity reports or Semi-Annual Certifications for any of their Title I employees.

Context

These were systemic issues that applied to all payrolls and all Title I employees during the audit period.

NORTHWEST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to its grant agreements.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

NORTHWEST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above, and that the School Corporation's management comply with the Allowable Costs/Cost Principles requirements of the program.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Finding 2015-005 - SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-225, 14-225, 15-225

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not designed or implemented adequate policies and procedures to ensure that Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements were followed.

Context

A Paraprofessional paid from Title I funds did not meet the federal requirements for Highly Qualified Teachers and Paraprofessionals.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

34 CFR 200.58 Qualifications of paraprofessionals, states in part:

". . . (b) *All paraprofessionals.* A paraprofessional covered under paragraph (a) of this section, regardless of the paraprofessional's hiring date, must have earned a secondary school diploma or its recognized equivalent.

(c) *New paraprofessionals.* A paraprofessional covered under paragraph (a) of this section who is hired after January 8, 2002 must have -

NORTHWEST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (1) Completed at least two years of study at an institution of higher education;
- (2) Obtained an associate's or higher degree; or
- (3)(i) Met a rigorous standard of quality, and can demonstrate - through a formal State or local academic assessment - knowledge of, and the ability to assist in instructing, as appropriate -
 - (A) Reading/language arts, writing, and mathematics; or
 - (B) Reading readiness, writing readiness, and mathematics readiness.
- (ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.
- (d) *Existing paraprofessionals.* Each paraprofessional who was hired on or before January 8, 2002 must meet the requirements in paragraph (c) of this section no later than January 8, 2006.
- (e) *Exceptions.* A paraprofessional does not need to meet the requirements in paragraph (c) or (d) of this section if the paraprofessional -
 - (1)(i) Is proficient in English and a language other than English; and
 - (ii) Acts as a translator to enhance the participation of limited English proficient children under subpart A of this part; or
- (2) Has instructional-support duties that consist solely of conducting parental involvement activities."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirement would have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

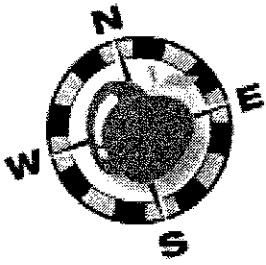
There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



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Director of Special Education

John Miller
Chief Operations Officer

May 2, 2017

Finding 2015-001

Contact Person Responsible for Corrective Action: Julianne Striggle, Treasurer
and Bill Mallers, Business Manager

Federal Agency: Department of Education

Federal Program(s): Child Nutrition Cluster

CFDA Number: None

Federal Award Year: FY 13-14, FY 14-15

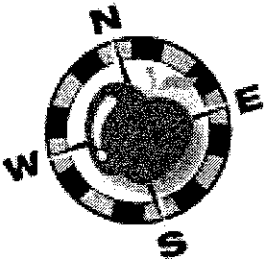
Pass-through Entity: Indiana Department of Education

Corrective Action:

Northwest Allen County Schools will make every reasonable effort to comply with Finding 2015-001. A system of internal controls will be established to assure the reliability of financial records and to ensure accurate reporting of federal awards by June 30, 2017.

Christopher A. Himsel
Superintendent

Bill Mallers
Business Manager



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John Miller
Chief Operations Officer

May 2, 2017

Finding 2015-002

Contact Person Responsible for Corrective Action: Leeanne Koeneman, Food Service Director

Federal Agency: Department of Agriculture

Federal Program(s): School Breakfast Program

CFDA Number: 10.553, 10.555

Federal Award Year: FY 13-14, FY 14-15

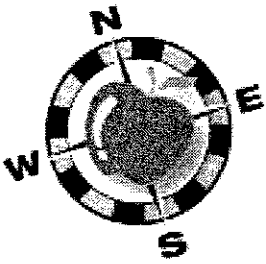
Pass-through Entity: Indiana Department of Education

Corrective Action:

Northwest Allen County Schools will make every reasonable effort to comply with the Finding 2015-002. A system of internal controls will be established to ensure the segregation of duties to assure oversight related to compliance regarding Cash Management by June 30, 2017.

Christopher A. Himsel
Superintendent

Bill Mallers
Business Manager



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Assistant Superintendent

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Jada Conner
Director of Special Education

John Miller
Chief Operations Officer

May 2, 2017

Finding 2015-003

Contact Person Responsible for Corrective Action: Dr. Gloria A. Shamanoff, Title I Program Administrator

Federal Agency: Department of Education
Federal Program(s): Title I Grants to Local Educational Agencies

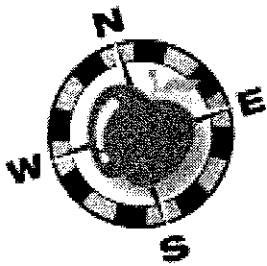
CFDA Number: 84.010
Federal Award Year: FY 13-14, FY 14-15
Pass-through Entity: Indiana Department of Education

Corrective Action:

Northwest Allen County Schools will make every reasonable effort to comply with the Finding 2015-003. A system of internal controls will be established including the segregation of duties to ensure compliance with the grant agreement and special tests and provisions – comparability requirements by June 30, 2017.

Christopher A. Himsel
Superintendent

Bill Mallers
Business Manager



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John Miller
Chief Operations Officer

May 2, 2017

Finding 2015-004

Contact Person Responsible for Corrective Action: Dr. Gloria Shamanoff, Title I Program Administrator

Federal Agency: Department of Education
Federal Program(s): Title I Grants to Local Educational Agencies

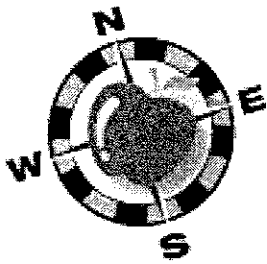
CFDA Number: 84.010
Federal Award Year: FY 13-14, FY 14-15
Pass-through Entity: Indiana Department of Education

Corrective Action:

Northwest Allen County Schools will make every reasonable effort to comply with the Finding 2015-004. A system of internal controls will be established including the segregation of duties to ensure compliance with the grant agreement, Time and Effort and Semi-Annual Certifications requirements by June 30, 2017.

Christopher A. Himsel
Superintendent

Bill Mallers
Business Manager



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Jada Conner
Director of Special Education

John Miller
Chief Operations Officer

May 2, 2017

Finding 2015-005

Contact Person Responsible for Corrective Action Plan: Dr. Gloria Shamanoff,
Title I Program Administrator

Federal Agency: Department of Education
Federal Program(s): Title I Grants to Local Educational Agencies

CFDA Number: 84.010
Federal Award Year: FY 13-14, FY 14-15
Pass-through Entity: Indiana Department of Education

Corrective Action:

Northwest Allen County Schools will make every reasonable effort to comply with the Finding 2015-005. A system of internal controls will be established including the segregation of duties to ensure compliance with the grant agreement and the Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals requirements by June 30, 2017.

Christopher A. Himsel
Superintendent

Bill Mallers
Business Manager

NORTHWEST ALLEN COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 4, 2017, with Julianne Striggle, Treasurer; William C. Mallers, Business Manager; Christopher A. Himsel, Superintendent of Schools; and Kent Somers, President of the School Board.